

CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY



ANNUAL FINANCIAL REPORT

JUNE 30, 2013

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
ANNUAL FINANCIAL REPORT
JUNE 30, 2013**

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CPAs &
Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Canadian County Public Facilities Authority
a component unit of Canadian County, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of Canadian County Public Facilities Authority ("Trust"), a component unit of Canadian County, Oklahoma, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Canadian County Public Facilities Authority as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Other Matters

The Trust has not presented management's discussion and analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

HBC CPA & Advisors

March 25, 2014

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 750,000	\$ 92,643	\$ 842,643
Restricted assets:			
Cash and cash equivalents	992,116	-	992,116
Sales tax receivable	857,997	-	857,997
Capital assets (net)	6,895,109	3,542,853	10,437,962
Interfund receivable (payable)	(6,410)	6,410	-
Total assets	<u>9,488,812</u>	<u>3,641,906</u>	<u>13,130,718</u>
LIABILITIES			
Interest payable	-	30,726	30,726
Due to other related trust	-	230,039	230,039
Long-term debt, current	-	469,721	469,721
Long-term debt	<u>-</u>	<u>2,785,669</u>	<u>2,785,669</u>
Total liabilities	<u>-</u>	<u>3,516,155</u>	<u>3,516,155</u>
NET POSITION			
Net investment in capital assets	6,895,109	287,464	7,182,573
Unrestricted	-	(161,713)	(161,713)
Committed	1,850,113	-	1,850,113
Assigned	743,590	-	743,590
Total net position	<u>\$ 9,488,812</u>	<u>\$ 125,751</u>	<u>\$ 9,614,563</u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense)/ Revenue</u>
Functions/Programs:			
Governmental activities:			
Public purpose			
Contract payments	\$ 4,814,044	\$ -	\$ (4,814,044)
Professional fees	23,772	-	(23,772)
Other operating expenses	43,185	-	(43,185)
Amortization expense	3,428	-	(3,428)
Depreciation expense	253,152	-	(253,152)
Interest on long-term debt	175,100	-	(175,100)
Total governmental activities	<u>5,312,681</u>	<u>-</u>	<u>(5,312,681)</u>
Business-type activities:			
Rental activities	<u>102,111</u>	<u>129,772</u>	<u>27,661</u>
Total business-type activities	<u>102,111</u>	<u>129,772</u>	<u>27,661</u>
Total	<u>\$ 5,414,792</u>	<u>\$ 129,772</u>	<u>\$ (5,285,020)</u>

	<u>Net (Expense)/Revenue</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Changes in Net Position:			
Net (expense)/revenue	<u>\$ (5,312,681)</u>	<u>\$ 27,661</u>	<u>\$ (5,285,020)</u>
General revenues:			
Sales tax	6,924,649	-	6,924,649
Investment income	34,869	-	34,869
Farm income	13,300	-	13,300
Miscellaneous	4,757	-	4,757
External transfers	<u>(2,288,455)</u>	<u>(741,288)</u>	<u>(3,029,743)</u>
Total general revenues and transfers	<u>4,689,120</u>	<u>(741,288)</u>	<u>3,947,832</u>
Change in net position	(623,561)	(713,627)	(1,337,188)
Net position, beginning	10,112,373	839,378	10,951,751
Net position, ending	<u>\$ 9,488,812</u>	<u>\$ 125,751</u>	<u>\$ 9,614,563</u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	<u>Juvenile Detention Facility Fund</u>
ASSETS	
Cash and cash equivalents	\$ 750,000
Restricted assets:	
Cash and cash equivalents	992,116
Sales tax receivable	857,997
Total assets	<u>\$ 2,600,113</u>
LIABILITIES	
Interfund payable	\$ 6,410
Total liabilities	<u>6,410</u>
FUND BALANCES	
Comitted to be transfered to Canadian County	1,850,113
Assigned but available for fund purpose	743,590
Total liabilities and fund balances	<u>\$ 2,600,113</u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

Total fund balance - total governmental funds	\$ 2,593,703
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$10,147,207 net of accumulated depreciation of \$3,252,098, are not financial resources and, therefore, are not reported in the funds. See Note 4 for additional detail.	6,895,109
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Net assets of governmental activities	<u>\$ 9,488,812</u>
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See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013**

	Juvenile Detention Facility Fund
REVENUES	
Taxes	\$ 6,924,649
Investment income	34,870
Miscellaneous	18,057
Total revenues	<u>6,977,576</u>
EXPENDITURES	
Current:	
Public safety:	
Contract payments	4,814,044
Professional fees	23,772
Other operating expenses	43,187
Debt service:	
Principal	4,360,000
Interest and other charges	175,100
Total expenditures	<u>9,416,103</u>
Excess (deficiency) of revenues over expenditures	<u>(2,474,327)</u>
OTHER FINANCING SOURCES (USES)	
Other financing sources (uses)	<u>(2,252,654)</u>
Total other financing sources and uses	<u>(2,252,654)</u>
Net change in fund balances	(4,726,981)
Fund balances, beginning	7,320,684
Fund balances, ending	<u><u>\$ 2,593,703</u></u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds	\$ (4,726,981)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$0 exceed depreciation and amortization of \$253,152 in the current period.	(253,152)
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Repayment of debt principal of \$4,360,000, net of discount amortization of \$3,428, is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	4,356,572
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Change in net assets of governmental activities	<u>\$ (623,561)</u>
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See accompanying notes.

CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	CCPFA Operating Fund
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 92,643
Total current assets	<u>92,643</u>
Non-current assets	
Capital assets:	
Land	209,226
Buildings	3,641,128
Less accumulated depreciation	<u>(307,501)</u>
Capital assets, net	3,542,853
Interfund receivable	<u>6,410</u>
Total non-current assets	<u>3,549,263</u>
Total assets	<u>3,641,906</u>
LIABILITIES	
Current liabilities	
Accrued interest	30,726
Notes payable, current	<u>469,721</u>
Total current liabilities	<u>500,447</u>
Noncurrent liabilities	
Due to related government entity	230,039
Notes payable, noncurrent	<u>2,785,669</u>
Total noncurrent liabilities	<u>3,015,708</u>
Total liabilities	<u>3,516,155</u>
NET POSITION	
Net Investment in capital assets	287,464
Unreserved	<u>(161,713)</u>
Total net position	<u>\$ 125,751</u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013**

	CCPFA Operating Fund
OPERATING REVENUES	
Rent revenue	\$ 129,740
Total operating revenues	<u>129,740</u>
OPERATING EXPENSES	
Professional fees	9,751
Miscellaneous	400
Depreciation	<u>41,977</u>
Total operating expenses	<u>52,128</u>
Operating income	<u>77,612</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	32
Interest expense	<u>(49,983)</u>
Total nonoperating revenues (expenses)	<u>(49,951)</u>
Income before contributions and transfers	<u>27,661</u>
Transfers out	<u>(741,288)</u>
Change in net position	(713,627)
Total net position, beginning	839,378
Total net position, ending	<u><u>\$ 125,751</u></u>

See accompanying notes.

CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	CCPFA Operating Fund
Cash flows operating activities:	
Cash received from customers	\$ 129,740
Cash payments for goods and services	(10,151)
Net cash provided (used) by operating activities	<u>119,589</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(298,213)
Payments to related entity	6,410
Receipts from related entity	230,039
Payments for construction in progress	(2,405,743)
Proceed from issuance of long-term debt	2,558,446
Principal paid on long-term debt	(154,181)
Interest paid on long-term debt	(19,657)
Net cash provided (used) by capital and related financing activities	<u>(82,899)</u>
Cash flows from investing activities:	
Investment income	<u>32</u>
Net cash provided (used) by investing activities	<u>32</u>
Net increase (decrease) in cash and cash equivalents	36,722
Cash and cash equivalents, beginning of year	55,921
Cash and cash equivalents, end of year	<u><u>\$ 92,643</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 77,612
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	41,977
Net cash provided by operating activities	<u><u>\$ 119,589</u></u>

See accompanying notes.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013**

1. Organization and Significant Financial Events

The Canadian County Public Facilities Authority (the "Authority") is a public trust created by a Declaration of Trust dated December 18, 1984. The Authority's primary purpose is to serve as a vehicle for financing the purchase or construction of buildings or other facilities which are to be used directly or indirectly by Canadian County, Oklahoma.

The Authority is a component unit of Canadian County, Oklahoma and is managed by a board of trustees, which according to the trust indenture, shall be the Board of Commissioners of Canadian County, Oklahoma, the beneficiary of the trust.

On December 30, 1985 the Authority obtained financing to construct a building in El Reno, Oklahoma to be occupied by the Department of Human Services of Oklahoma in accordance with a lease agreement dated December 1, 1985. The Department of Human Services of Oklahoma later fulfilled their lease obligation by paying off the note on the building and at that time, in accordance with the lease agreement, title to the building was transferred to Canadian County, Oklahoma.

On December 1, 1988, the Authority obtained financing to purchase a building in El Reno, Oklahoma. This property was occupied by the Canadian County Health Department in accordance with a lease agreement dated December 1, 1988. The Canadian County Health Department later fulfilled their lease obligation by paying off their proportionate share of the note on the building, and on February 1, 2002, signed a new lease in order to occupy the "Gold Bank" property purchased by the Authority. Title to the property was transferred to Canadian County, Oklahoma during fiscal year 2013.

On October 3, 1991, the Authority obtained financing to purchase properties in Yukon and El Reno, Oklahoma. The property in Yukon is occupied by the Canadian County Health Department. The Health Department fulfilled their financial obligation on the lease on April 22, 1999 by paying off their proportionate share of the indebtedness related to the purchase of the property.

On August 27, 1996, the voters of Canadian County, Oklahoma passed a .35 cent sales tax to be used for the construction, operation and maintenance of juvenile detention facilities.

On December 18, 1996, the Trustees of the Authority passed a resolution authorizing the Authority to issue indebtedness for the purpose of constructing juvenile detention facilities.

On September 4, 1997, Trustees of the Authority ratified an "Order to Pay" \$350,000 from sales tax proceeds for the purchase of 186 acres near Banner, Oklahoma in eastern Canadian County. This land was used as a site for the construction of the juvenile detention facilities.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013**

1. Organization and Significant Financial Events (continued)

On February 1, 2000, the Authority issued \$3.185 million of Public Facilities Revenue Bonds, Series 2000 to refund a March 11, 1997 note and create permanent financing for the construction of the juvenile detention facility. These bonds were subsequently refunded on December 1, 2002.

On September 21, 2001, the Trustees of the Authority passed a resolution authorizing the Authority to issue indebtedness for the purpose of acquiring and renovating public buildings suitable to house and provide facilities for the Canadian County Health Department, the Authority, and other government entities of Canadian County (the "County Health Department and Public Usage Buildings Project"). The Authority issued a promissory note in the amount of \$730,000 to a bank on October 3, 2001, and at that time obtained title to the building formerly known as the "Gold Bank Building". This note was subsequently repaid.

On December 1, 2002, the Authority issued \$5.675 million of Public Facilities Revenue Bonds, Series 2002 to refund Public Facilities Revenue Bonds, Series 2000 and to finance the construction of an expansion of the juvenile detention facility.

On December 30, 2011 the Authority issued a promissory note to bank in the amount of \$4.05 million to finance the construction of a new county jail for Canadian County.

In August, 2012, the Authority issued a note to a bank in the amount of \$425,000 to finance the purchase of land and the construction of a district building for Canadian County, Oklahoma.

In November, 2012, the Authority issued a note to a bank in the amount of \$750,000 to finance improvements to Canadian County Health Department facilities.

In December 2012, the Authority redeemed the \$5.675 million of Public Facilities Revenue Bonds, Series 2002.

During the year ended June 30, 2013, the Authority transferred several parcels of land and two buildings with a net book value of \$741,288 to Canadian County, Oklahoma, the beneficiary of the Trust.

2. Summary of Significant Accounting Policies

Accounting estimates: Accrual accounting was used to prepare these financial statements. Financial statement preparation requires the Authority's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies as of the date of these financial statements and reported amounts of revenues and

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013**

2. Summary of Significant Accounting Policies (continued)

expenses for the period of these financial statements. Actual results could differ from these estimates.

Cash and cash equivalents: The Authority's cash and cash equivalents are considered demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Capital assets: Property and equipment are recorded at cost. Depreciation of buildings is computed using the straight-line method over an estimated useful life of thirty years. Furniture and equipment is depreciated using the straight-line method over an estimated useful life ranging from five to fifteen years.

Classification of Revenues: The Authority has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as rent payments and maintenance fees made to the Authority.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary Fund Accounting*, and GASB No. 34, such as investment income.

The Authority has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Authority has elected to not apply FASB pronouncements issued after the applicable date.

2a. Basis of Presentation

The Authority's financial statements are presented in accordance with the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*. Under GASB Statement No. 34, the presentation is as follows:

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013**

2a. Basis of Presentation (continued)

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns.

The funds of the financial reporting entity are described below:

Governmental Funds

Major -

The Juvenile Detention Facility Fund is a special revenue fund that derives revenues through sales taxes, which are used to a) repay the debt issued to construct the Canadian County Juvenile Detention Facility, and to b) fund the current operating expenses of the facility.

Proprietary Fund

Proprietary Fund Types are used to account for operations of the Authority's organizations and activities which are similar to those often found in private business enterprises. The following is a description of Proprietary Fund Types;

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues received, disbursements made, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Major -

Canadian County Public Facilities Authority Operating Fund – This operating fund derives revenues from building rents and maintenance fees. This revenue is used to repay debt on buildings and for maintenance and other expenses.

2b. Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net position and

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013**

2b. Basis of Accounting (continued)

the operating statements present increases (revenues) and decreases (expenses) in net total position.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

When an expense is incurred that can be paid either using restricted or unrestricted resources, the Authority’s policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

3. Deposits and Investments

Custodial Credit Risk

At June 30, 2013, the Authority held deposits of approximately \$1.8 million at an area bank. The Authority is responsible for monitoring and the bank obliged by state law to pledge bank securities that, when combined with Federal Deposit Insurance Corporation insurance of \$250,000, have value equal or exceeding the amount of the Authority’s deposits in the bank. The Authority represents that all deposits in the bank were adequately secured at June 30, 2013.

Investment Interest Rate Risk

The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The County has no policy that limits its investment choices other than the limitation of state law as follows:

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013**

3. Deposits and Investments (continued)

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

Concentration of Investment Credit Risk

The County places no limit on the amount it may invest in any one issuer.

4. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 279,137	\$ -	\$ -	\$ 279,137
Other assets				
Buildings	9,472,694	15,272	-	9,487,966
Furniture and fixtures	367,706	12,398	-	380,104
Less accumulated depreciation	(2,998,947)	(253,151)	-	(3,252,098)
Governmental activities capital assets, net	<u>\$ 7,120,590</u>	<u>\$ (225,481)</u>	<u>\$ -</u>	<u>\$ 6,895,109</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 256,617	\$ 126,787	\$ (174,178)	\$ 209,226
Construction-in-progress	275,805	2,405,743	-	2,681,548
Other assets				
Buildings	1,463,654	298,212	(802,287)	959,579
Less accumulated depreciation	(589,952)	(41,976)	324,428	(307,500)
Business-type activities capital assets, net	<u>\$ 1,406,124</u>	<u>\$ 2,788,766</u>	<u>\$ (652,037)</u>	<u>\$ 3,542,853</u>

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
(COMPONENT UNIT OF CANADIAN COUNTY, OKLAHOMA)
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2013**

4. Capital Assets (continued)

Depreciation expense was charged as a direct expense to the following functions of the primary government as follows:

<i>Governmental activities</i>	
Public service	\$ 253,151
Total depreciation expense	<u>\$ 253,151</u>
<i>Business-type activities:</i>	
Rental activities	\$ 41,976
Total depreciation expense	<u>\$ 41,976</u>

5. Long-term Debt

Transactions for the year ended June 30, 2013 are as follows:

	Balance 7/1/2012	Additions	(Reductions)	Balance 6/30/2013	Current Portion
<u>Governmental Type Activities</u>					
Revenue bonds payable	\$ 4,360,000	\$ -	\$ (4,360,000)	\$ -	\$ -
Total	<u>\$ 5,135,000</u>	<u>\$ -</u>	<u>\$ (4,360,000)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Business-Type Activities</u>					
Revenue notes payable:					
County jail project	\$ 275,805	\$ 2,390,143	\$ -	\$ 2,665,948	\$ 290,000
County building project	-	425,000	-	425,000	83,721
County Health Dept project	-	15,601	-	15,601	-
Other projects	303,022	-	(154,181)	148,841	96,000
Total	<u>\$ 578,827</u>	<u>\$ 2,830,744</u>	<u>\$ (154,181)</u>	<u>\$ 3,255,390</u>	<u>\$ 469,721</u>

5a. Revenue Bonds Payable

\$5,675,000 in Public Facilities Refunding Revenue Bonds, Series 2002 were issued on December 1, 2002. The bonds were issued to refund the Public Facilities Refunding Revenue Bonds, Series 2000 and to finance the construction of the expansion of the Juvenile Justice Facilities. The bonds were retired during the year ended June 30, 2013.

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5b. Promissory and Revenue Notes Payable

Note to bank used to finance improvements to county buildings. The note is secured by lease revenues and real estate connected with the loan. The note has a balance of \$148,841 at June 30, 2013 and is due September 17, 2017. Interest is at 4.64%. Principal and interest payments are due monthly.

\$4.050 million Canadian County Public Facilities Authority Promissory Note, Series 2011 issued December 1, 2011 to a bank. Proceeds are being used to finance the construction of a county jail. The Authority has drawn \$2,665,948 on the note as of June 30, 2013. Interest on the note is 3.75% and is due monthly. The note is secured by the facilities being constructed (land and building). Principal payments on the note are due as follows:

January 1. 2014	290,000	January 1. 2020	380,000
January 1. 2015	315,000	January 1. 2021	395,000
January 1. 2016	330,000	January 1. 2022	410,000
January 1. 2017	340,000	January 1. 2023	425,000
January 1. 2018	355,000	January 1. 2024	445,000
January 1. 2019	365,000		

\$425,000 Public Facilities Lease Revenue Note (County Building Project), Series 2012 issued August 14, 2012 to a bank for the purchase of land and for the construction of a new district county building. The Authority has drawn \$425,000 on the note as of June 30, 2013. Interest on the note is 3.45% and is due in monthly installments of \$9,501. The note is secured by the land and building. Future principal and interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
✓ 2014	\$ 83,721	\$ 11,293	\$ 95,014
✓ 2015	103,728	10,288	114,016
✓ 2016	107,398	6,618	114,016
✓ 2017	111,233	2,783	114,016
✓ 2018	18,920	83	19,003
	<u>\$ 425,000</u>	<u>\$ 31,065</u>	<u>\$ 456,065</u>

\$750,000 Public Facilities Lease Revenue Note (County Health Department and Public Usage Buildings Project) Series 2012 issued November 5, 2012 to finance improvements to the Canadian County Health Department building. The Authority has drawn \$15,601 on the note as of June 30, 2013. Interest is at 4.19% and principal and interest payments of \$7,682 are due monthly for 120 months from the date the project is complete and the note is converted to permanent financing. Dates of future principal and interest payments have not been determined at June 30, 2013, and the Authority is making interest payments on a monthly basis. The note is secured by lease payments on the building and by the land, building, contents and facility improvements.

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JUNE 30, 2013**

6. Lease Agreements

Canadian County Building Lease

The Authority entered in to a building lease with lessee Canadian County in connection with a district county building currently being constructed by the Authority. The agreement calls for monthly payments of an amount that are sufficient to amortize the indebtedness incurred in purchasing the land and constructing the building. The lease payments secure the debt. Operating and maintenance costs are the responsibility of the County as lessee.

Canadian County Health Department Lease

The Authority has entered into a building lease with lessee Canadian County related to Canadian County Health Department facilities that are either completed or under construction. The agreement calls for monthly payments of an amount that are sufficient to amortize the indebtedness incurred in renovating the leased facilities. The lease payments secure the debt. Operating and maintenance costs are the responsibility of the County as lessee.

7. Operation and Maintenance Contracts

Canadian County Juvenile Detention Facility

The Authority previously entered into an agreement with Canadian County whereby the Authority transferred sales tax funds remaining after debt service payments to the County for the purpose of operating the facility. The amount paid to the County during 2013 totaled \$5,729,539. In June, 2013 the Authority terminated its Sales Tax Agreement with the County and thus relieved itself of the obligation to pay the County for operating expenses of the facility beginning July 1, 2013.

8. Interfund Transactions

During the year the Juvenile Detention Facility Fund received an advance the Authority's Operating Fund \$6,410. These amounts are reflected on the balance sheet as Interfund Receivable and Interfund Payable.

9. Related Party Transactions

The Authority advanced money to a related trust. The balance receivable from the other trust is shown as a receivable on the statement of net position in the amount of \$35,800.

**CANADIAN COUNTY PUBLIC FACILITIES AUTHORITY
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10. Other Disclosures Including Subsequent events

On June 3, 2013 the Authority adopted a resolution to terminate the 2002 Sales Tax Agreement with Canadian County, the beneficiary of the Trust. The Sales Tax Agreement was established in 2002 to provide funds for the payment of principal and interest on \$5.675 million in bonds issued for construction of the Canadian County Juvenile Detention and Services Facility. All 2002 bonds had been paid at the time the resolution to terminate the sales tax agreement was passed. In addition to terminating the agreement, the Trustees also voted to return all remaining sales tax funds to Canadian County, except for \$50,000 to be used for prior expenses of the Authority. The June 3rd resolution was amended on July 1, 2013 to change the amount retained by the Authority to \$750,000. All cash and receivables exceeding \$750,000 and related to the prior or future collection of sales taxes have been restricted on the Authority's statement of net position and on the balance sheet of the governmental funds.



**REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Canadian County Public Facilities Authority

We have audited the financial statements of the Canadian County Public Facilities Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated March 25, 2014. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Canadian County Public Facilities Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canadian County Public Facilities Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Canadian County Public Facilities Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canadian County Public Facilities Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of trustees, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

HBC CPA & Advisors

March 25, 2014

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02/28/14

Accrual Basis

CCPFA_03

Transactions by Account

As of June 30, 2013

Type	Date	Num	Name	Memo	Clr	Split	Amount	Balance
Due to CCHFA								
Check	08/06/2012	1564	Can Co Home Fina...	July & Aug		CCPFA Trust ...	-1,000.00	8,039.00
Check	09/07/2012	1568	Can Co Home Fina...			CCPFA Trust ...	-500.00	7,039.00
Check	10/04/2012	1576	Can Co Home Fina...	Oct		CCPFA Trust ...	-500.00	6,539.00
Check	11/06/2012	1579	Can Co Home Fina...	nov		CCPFA Trust ...	-500.00	6,039.00
Check	12/10/2012	1585	Can Co Home Fina...			CCPFA Trust ...	-500.00	5,539.00
Deposit	12/28/2012			HFA		CCPFA Trust ...	75,000.00	5,039.00
Deposit	06/24/2013		CCHFA	CCHFA		CCPFA Trust ...	150,000.00	80,039.00
Total Due to CCHFA							222,000.00	230,039.00
TOTAL							222,000.00	230,039.00